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Ukraine

Poultry and Products

Political Uncertainty Could Impact Poultry Imports 2005

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Report Highlights:

The electoral crisis that led to the "Orange Revolution" resulted in severe volatility in import and consumption of poultry meat. A significant increase in imports is likely to continue in 2005, unless the government of Ukraine (GOU) abolishes Free Economic Zones (FEZ) privileges or imposes quotas for meat imports. Either scenario would lead to a sharp contraction in imports.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Kiev [UP1]
[UP]

Recent Developments

The electoral crisis that led to the "orange revolution" in the second half of 2004 had a tremendous impact on consumption of poultry products in Ukraine. Significant shifts in the poultry market are expected to be long lasting and persist through 2005.

In an attempt to retain power, the outgoing government increased minimal pension payments from 132 UAH (\$24.4) to 284,6 UAH (\$ 52.7) in August-December of 2004. Direct budget transfers to the State Pension Fund were made to fund these extra payments. 11 million out of 14 million retirees benefited directly from higher pension payments. Also, throughout 2004 disposable incomes increased for many low-income groups including state employees, working retirees, low-qualified workers, etc. Previously, all these low-income groups limited their meat consumption due to a lack of resources. The increase in disposable income due to increased pension payments resulted in an immediate increase in demand for all types of meat and products, but most significantly for poultry. Supplies of red meat from domestic producers continued to be flat despite prices that rose quickly and significantly. Ukrainian meat traders had to decrease exports of beef and pork to Russia by 40% and increase imports of red meat from Poland and Brazil almost twofold. All these market factors contributed to the tremendous growth of imports and the significant increase in poultry meat consumption.

Production

The negative effects associated with the grain crop failure in 2003 vanished in late 2004 and the Ukrainian poultry industry continued to expand production to meet the growing demand of domestic consumers. In 2005, Ukraine's poultry industry is expected to continue to expand further due to the creation of new facilities and the modernization of the existing network of poultry enterprises that were built during Soviet times. The growth rate is expected to remain at the same level as in 2003-2004 (approximately 30%).

Ruby Rose Agricole Co. Ltd, the third largest producer in Ukraine, announced an ambitious plan to double poultry production. The largest poultry producer in Ukraine, Myronivsky Khleboproduct, is planning to expand current facilities and take over a large but currently idle production facility in Southern Ukraine. For the first time in 10 years, the Ukrainian poultry industry has announced plans to begin production of duck and turkey. So far limited demand and high production costs have prevented development of these enterprises.

Also, the Ministry of Agricultural Policy is about to increase direct budget subsidies to producers. In 2005, subsidies will grow from 0.3 UAH (US \$ 0.056) per 1 kilogram to 0.45 UAH (US \$ 0.084) per 1 kilogram of live weight.

Trade

Import growth estimates will depend entirely on underlying assumptions. The new figures are based on the assumption that the political situation and economic development in the livestock sector will remain unchanged. This implies further stagnation of the livestock sector, protection of the domestic market from imports of red meat and an unchanged poultry import regime.

The unchanged poultry import regime is a big question because several new GOU officials have made statements supporting the elimination of tax privileges associated with the Free Economic Zones (FEZs). Legal exports of U.S. poultry products to Ukraine is only possible through FEZs due to prohibitive tariffs applied outside the zones. For additional information

on import regulations, please refer to GAIN Report UP 3011. The possible elimination of FEZs prior to significant import tariff reductions will result in exorbitant prices for poultry and red meats, and growth in smuggling activities. On February 15, 2005, the President of Ukraine and the Prime Minister announced their intentions to eliminate the FEZs. The Minister of Economy also made an announcement on February 8, 2005 supporting the elimination of FEZs. Only the Vice Prime Minister expressed concerns about the economic consequences of this move. The Minister of Agricultural Policy supports imposing import quotas for meat, especially for poultry to curve soaring imports and to provide extra support to domestic producers.

It is uncertain if any of the above mentioned actions will be taken to limit imports of meat, however there is a belief that imports are a big reason for the crisis in Ukrainian agriculture. The political leadership is interested in WTO accession and EU membership and such action will likely negatively impact their short term ability to accede, however political pressure to limit imports remain high.

Statistical Tables

Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01.2003		01.2004		01.2005
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	140	140	200	207	260	260
Whole, Imports	4	4	0	16	0	12
Parts, Imports	84	82	130	280	150	259
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	88	86	130	296	150	271
TOTAL SUPPLY	228	226	330	503	410	531
Whole, Exports	0	0	0	0	0	0
Parts, Exports	5	1	6	1	5	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	5	1	6	1	5	1
Human Consumption	223	225	324	502	405	530
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	223	225	324	502	405	530
TOTAL Use	228	226	330	503	410	531
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	228	226	330	503	410	531
Calendar Yr. Imp. from U.S.	4	4	40	125	0	140

Poultry imports into Ukraine, MT (HS 0207*)**

Country	2000	2001	2002	2003	2004
Austria		60	19	300	122
Belgium	458	3635	22904	17732	22713
Brazil		150		31567	49809
Canada		615	911	2863	2823
Denmark	23	8	1105	3666	8119
France	151	763	1043	2525	6687
Germany	440	1750	6536	12559	18752
Hungary	914	2019	3388	7985	14373
Netherlands	979	1698	11696	3713	4447
Poland	341	232	2859	3273	1556
Russian Federation		117	37	72	
Spain		151	293	318	794
United Kingdom	97	1251	20	8142	36983
United States	22331	54608	19912	4279	125429
Others not listed	246	277	1037	1673	3109
Total	25732	67055	70723	100667	295716

* Imports of turkey and other birds is reaching 10% of total HS 0207 number.

** Ukrainian State Customs Committee data (WTA data is not available at the moment)